

## Message Text

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PAGE 01 TEL AV 01121 172035Z

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C O R R E C T E D C O P Y (TAG LINE ADDED)

E.O. 11652: N/A

SUBJECT: HISTADRUT AND EMPLOYERS REACH WAGE AGREEMENT

TAGS: ELAB, EFIN, AFSP, IS

SUMMARY: HISTADRUT AND MANUFACTURERS' ASSOCIATION REACHED TWO YEAR WAGE AGREEMENT PROVIDING: SIX PER CENT INCREASE FOR 1976 AND THREE PERCENT FOR 1977; NEW MINIMUM WAGE OF IL 1,000 PER MONTH; NEW INCOME PROTECTION EQUALIZING BLUE AND WHITE COLLAR WORKERS' RIGHTS; PUNITIVE MEASURES AGAINST SICK LEAVE ABUSES AND NEW NEGOTIATING MACHINERY RE PRODUCTIVITY MEASURES. NEGOTIATIONS OF WAGE INCREASES IN PUBLIC SECTOR, SUBSIDIES AND HEALTH INSURANCE REFORMS CONTINUE WITH AS YET UNCERTAIN PROSPECTS. END SUMMARY.

1. AFTER SEVERAL LARGELY HISTRIONIC INTERRUPTIONS OF THE RECENT LABOR NEGOTIATIONS, HISTADRUT AND EMPLOYERS ANNOUNCED ON FEBRUARY 12 THAT A NEW NATIONAL WAGE AGREEMENT FOR INDUSTRIAL SECTOR HAD BEEN REACHED ON ALL PRINCIPAL POINTS AND FINAL AGREEMENT IS EXPECTED TO BE SIGNED ON FEBRUARY 13.

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PAGE 02 TEL AV 01121 172035Z

2. AGREEMENT IS FOR TWO YEARS AND PROVIDES SIX

PERCENT WAGE INCREASE FOR 1976 RETROACTIVE TO JANUARY 1 AND THREE PERCENT FOR 1977. EMPLOYERS STIPULATED THAT THREE PERCENT REPRESENTS MINIMUM "PRODUCTIVITY INCREASE". SHOULD PRODUCTIVITY INCREASE EXCEED THREE PER CENT THEY WOULD MAKE CORRESPONDING ADJUSTMENT. THEIR INSISTENCE ON TYING SECOND YEAR INCREASE TO PRODUCTIVITY PRINCIPLE--EVEN IF ONLY SYMBOLIC (MINISTRY OF FINANCE FORECASTS ONE PERCENT INCREASE IN 1976)--IS TO SET PRECEDENT FOR FUTURE NEGOTIATIONS.

3. AGREEMENT ALSO SETS NEW MINIMUM WAGE AT IL 1,000 FOR 1976 AND IL 1,050 FOR 1977. IN ADDITION ALL WAGES INCLUDING MINIMUM WAGES, WILL BE AUTOMATICALLY INCREASED EVERY APRIL AND OCTOBER BY SEMI-ANNUAL COST OF LIVING ADJUSTMENTS.

4. MOREOVER, DURING TWO YEAR PERIOD OF AGREEMENT ALL INDUSTRIAL WORKERS ARE TO BE SHIFTED FROM DAILY TO MONTHLY WAGE BASIS AND GIVEN THE SAME INCOME PROTECTION AS WHITE COLLAR EMPLOYEES, INCLUDING PENSION AND DISABILITY BENEFIT RIGHTS.

5. WITH REGARD TO CONTROVERSIAL ISSUES OF PENALTIES FOR SICK LEAVE ABUSES AND INTRODUCTION OF NEW PRODUCTIVITY MEASURES, HISTADRUT, ALBEIT RELUCTANTLY, ACCEPTED MOST OF EMPLOYERS' DEMANDS.

6. NEW SICKLEAVE RULES PROVIDE THAT EMPLOYEES TAKING UP TO THREE DAYS LEAVE WILL NOT GET PAID FOR FIRST DAY AND LOSE HALF PAY FOR SECOND AND THIRD DAY. THOSE ON LONGER SICK LEAVE WILL RECEIVE 70 PERCENT OF BASE PAY UP TO TEN DAYS, AND THOSE ON SICK LEAVE BEYOND TEN DAYS WILL RECEIVE 80 PERCENT OF BASE PAY. ADMINISTRATIVE DETAILS FOR NEW SICK PAY RULES ARE TO BE WORKED OUT BY JOINT LABOR-MANAGEMENT COMMITTEE AND PENSION FUND, WHICH PAYS SICK LEAVE WAGES. NEW MEASURE IS EXPECTED TO CUT DOWN ABUSES.

7. PROVISIONS RE PRODUCTIVITY MEASURES CALL FOR REVIEW OF NEW PRODUCTION METHODS OR NORMS BY PRODUCTIVITY LIMITED OFFICIAL USE

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PAGE 03 TEL AV 01121 172035Z

EXPERTS AND NEGOTIATION BY JOINT LABOR-MANAGEMENT PRODUCTIVITY COMMITTEE. IF LABOR REJECTS MANAGEMENT PROPOSAL OR FAILS TO ARRIVE AT AGREEMENT WITHIN ONE MONTH, MAATER IS TO BE ARBITRATED BY NATIONAL COMMITTEE.

8. BOTH LABOR AND MANAGEMENT APPEAR REASONABLY SATISFIED WITH AGREEMENT AND FEEL THAT REFORMS ACCORDING INDUSTRIAL WORKERS SAME INCOME PROTECTION AS SALARIED

WORKERS CONSTITUTE IMPORTANT SOCIAL PROGRESS.

9. KEY REMAINING LABOR QUESTIONS ARE WAGE AGREEMENT FOR THE PUBLIC SERVICE DUE TO EXPIRE MARCH 31, LEVEL OF SUBSIDIES FOR FOOD AND SERVICES, AND EXTENT OF GOI SUPPORT FOR HISTADRUT'S KUPAT HOLIM HEALTH INSURANCE SYSTEM. FINANCE MINISTRY CONTINUES TO INSIST THAT THERE IS NO ROOM FOR PUBLIC SERVICE WAGE INCREASES AND THAT SUBSIDIES FOR CONSUMER GOODS AND SERVICES AND HEALTH INSURANCE CAN BE ADJUSTED ONLY BY TRADE-OFFS WITHIN OVERALL BUDGET CEILING FOR SOCIAL ITEMS.

9. ALTHOUGH HISTADRUT REJECTS GOI PUBLIC WAGE FREEZE, IT IS COMMITTED TO ACCEPT BASIC RECOMMENDATIONS OF PROF. BARKAY'S PUBLIC SERVICE SALARY COMMISSION, WHICH IS EXAMINING ENTIRE GOVERNMENT PAY AND ALLOWANCES SYSTEM. THE REPORT, DUE IN EARLY MARCH, IS EXPECTED TO PROPOSE SWEEPING REFORMS BUT NO RECOMMENDATIONS ON OVERALL SALARY INCREASES. THIS COULD PLACE HISTADRUT IN SERIOUS DILEMMA. BOTH GOI AND HISTADRUT HAVE INDICATED TO EMBASSY THAT IMPLEMENTATION OF RECOMMENDATIONS LIKELY TO BE DELAYED FOR SOME TIME.

10. WITH REGARD TO SUBSIDIES HISTADRUT LEADERSHIP WILL SEEK TO TEST GOI DETERMINATION TO MAINTAIN BUDGET CEILING AND MAY SEEK TO FIGHT OUT ISSUE ON POLITICAL LEVEL WITHIN ALIGNMENT AND KNESSET. HISTADRUT HAS ALREADY REJECTED MINISTRY OF FINANCE REPORT THAT WAGE INCREASE IN PRIVATE SECTOR WOULD ASSURE MAINTAINANCE OF PURCHASING POWER FOR MOST WAGE EARNERS DESPITE PROPOSE CUTS IN SUBSIDIES, CHARGING THAT 1976 FORECAST OF 25 PER CENT PRICE RISE UNREALISTICALLY UNDERSTATES PROBABLY RATE OF INFLATION. HOWEVER, LABOR APPEARS

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PAGE 04 TEL AV 01121 172035Z

READY TO ACCEPT A GRADUAL AND SELECTIVE REDUCTION OF SUCH SUBSIDIES, ALTHOUGH INSISTING THAT PROPOSED BUDGET PROVISIONS FOR SUBSIDIES, EDUCATION, HEALTH, AND WELFARE FALL SHORT OF REQUIREMENTS BY IL 2 BILLION.

11. PARTICULARLY SENSITIVE ISSUE IS GOI PROPOSED CU BY IL 300 MILLION OF ITS ALLOCATIONS TO KUPAT HOLIM SICK FUND. HISTADRUT CHARGES THAT SUCH CUT WOULD REQUIRE CHOICE OF SUPPLEMENTARY AUGMENTATION OF JANUARY INCREASE OF HISTADRUT DUES WHICH INCLUDE HEALTH INSURANCE CONTRIBUTION OR INTRODUCTION OF FEES FOR DRUGS AND TREATMENT.

12. GOI REPORTEDLY HAS INDICATED WILLINGNESS TO INCREASE SICK FUND ALLOCATIONS IN RETURN FOR HISTADRUT SUPPORT

OF NEW HEALTH INSURANCE LAW WHICH WOULD MAKE HEALTH  
INSURANCE COVERAGE UNIVERSAL AND DETACH IT FROM TRADE  
UNION MEMBERSHIP AS WELL AS ACCEPTANCE OF ADMINISTRATIVE REFORM  
MEASURES TO EFFECT SAVINGS AND MORE EFFICIENT USE OF SICK FUND  
RESOURCES. HISTADRUT SO FAR OPPOSES GOI PROPOSALS AND IN LIGHT  
OF GOI SHOW OF INDECISION RE OTHER BUDGETARY MATTERS  
LINKED TO SOCIAL PROBLEMS, SUCH AS EGGED BUS SUBSIDIES,  
DELAYED CLOSING OF TIMNA MINE, AND GRANTING SPECIAL ALLOWANCES  
TO STRIKING TAX EMPLOYEES, IT WILL PERSIST IN TESTING GOVERNMENT  
FISCAL POLICY. AT THIS STAGE OUTCOME OF STRUGGLE  
REMAINS UNCERTAIN.  
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